

## Press Release

Jo Bland Enterprises

August 13, 2021



### Rating Assigned, Reaffirmed & Withdrawn

Total Instruments Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BB/ Outlook: Stable (Assigned, Reaffirmed, Withdrawn)
Short Term Rating	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A Four Plus**) to the Rs. 13.00 Cr bank facilities of Jo Bland Enterprises (JBE). The outlook is '**Stable**'.

The reaffirmation of the rating reflects established track record, as well as the extensive experience of its promoters in plastic films and flexible packaging industry, established clientele, stable operating performance and moderate financial risk profile. However, the ratings also reflect working capital intensive nature of operations, stretched liquidity position, susceptibility of its profits to volatility in raw material prices, modest scale of operations and partnership nature of operations.

### About the Company

JBE is a partnership firm established in the year 1990 is engaged in manufacturing of plastic films and flexible packaging products consisting of LPDE Bags, Stretch films, Shrink films and HMHDPE bags. In addition, the firm manufactures printed bags as per specification received from customers. The manufacturing facilities are situated in Manur and Kolar districts of Karnataka with an installed production capacity of 3800 tons per annum in FY21 and utilization of 91% over the same period.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of JBE to arrive at the credit rating.

### Key Rating Drivers

#### Strengths

- Significant experience of the promoters in the construction sector
- Long track record of operations and experienced promoters

JBE is operating since 1990 promoted by Mr. Jose James and Mrs. Sindhu James, have extensive experience of almost three decades in the packaging industry. Their extensive experience has enabled JBE to establish relationship with reputed market player such as Nestle, HUL and ITC. We believe that the experience of the management is expected to support in improvement of the business risk profile over the medium term.

- Stable operating performance

The firm generated revenue in the range of Rs 36.85 Cr to Rs 37.56 Cr over past 3 years ended FY21 (Prov) while maintaining the operating margins in the range of 6.4 percent to 8.9 percent over the same period. We believe the company will be able to maintain its revenue and margins.

- Moderate financial risk profile

The financial risk profile is marked by moderate net worth and modest capital structure and moderate coverage indicators. The net worth is moderate at Rs 7.49 Cr in 31 March, 2021 as against Rs 7.42 Cr in March 31, 2020 owing to accretion to partner's capital. The gearing marginally deteriorated from 1.11 times as on March 31, 2020 to 1.42 times as on 31 March, 2021. The TOL/TNW

marginally deteriorated from 1.32 times to 1.64 times over the same period. This was primarily due to increased debt on account of disruptions caused by the pandemic. The coverage indicators were moderate with interest coverage and DSCR in the range of 2.80 times to 3.35 times over the past 3 years ended FY21 (Prov). We believe, the firm will be able to maintain the financial risk profile over medium term, considering the basic demand for packaging materials.

### Weaknesses

- **Susceptibility of profitability to volatility in raw material prices**

The prices of plastic polymers, being a derivative of crude, are highly volatility in nature. Margins of the firm are susceptible to volatility in raw material prices. Any unfavorable movement in raw material pricing will hugely impact the profitability of firm, especially with major FMCG companies as major clients with whom, the firm does not have major bargaining power.

- **Modest scale of operations and partnership nature of operations**

The firm's revenue is in the range of Rs 36.85 Cr to Rs 37.56 Cr over past 3 years. The scale of operations has been in the range with no major planned capital expenditures to increase the scale of operations at phenomenal scale in in near future. Further, the partnership nature of the business limits the scale of operations and risk of capital withdrawal persists.

### Liquidity Position: Stretched

Liquidity profile of JBE is stretched as observed from the average peak working capital limits utilization of 93 per cent over past 6 months ended June 2021 and the gross current asset days in the range of 73 to 112 days over past 3 years ended FY21 (Prov). However, net cash accruals against its maturing debt obligations were in the range of Rs. 1.55 Cr to Rs 2.43 Cr over past 3 years ended FY21 (Prov). Net cash accruals are expected to be in the range of Rs. 1.60-2.00 Cr over the medium term, while repayment obligations are expected to remain in the range of Rs.1.00-1.50 Cr for the period FY22-24. We believe that the liquidity of the company is likely to remain stretched over the medium term on account of working capital intensive nature of operations.

### Rating Sensitivities

- Substantial improvement in scale of operation, while improving profitability margin.
- Deterioration in financial risk profile.

### Outlook: Stable

Acuite believes that JBE will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher than-expected growth in its revenue and profitability, while managing working capital cycle efficiently. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower than-expected growth in revenues or in case of deterioration in the firm's financial risk.

### About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	37.56	36.85
PAT	Rs. Cr.	0.90	1.63
PAT Margin	( percent)	2.41	4.42
Total Debt/Tangible Net Worth	Times	1.42	1.11
PBDIT/Interest	Times	3.35	3.68

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

Not Applicable

### Any Material Covenants

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Up to last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
15 May 2020	Cash Credit	Long term	6.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long term	0.24	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long term	1.30	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long term	2.65	ACUITE BB/Stable (Reaffirmed)
	Proposed Bank Facility	Long term	0.71	ACUITE BB/Stable (Reaffirmed)
	Letter of Credit	Short term	1.60	ACUITE A4+ (Reaffirmed)
23 March 2019	Cash Credit	Long term	6.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long term	0.24	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long term	1.30	ACUITE BB/Stable (Assigned)
	Term Loan	Long term	2.65	ACUITE BB/Stable (Assigned)
	Proposed Bank Facility	Long term	0.71	ACUITE BB/Stable (Reaffirmed)
	Letter of Credit	Short term	1.60	ACUITE A4+ (Reaffirmed)

#### \*Annexure – Details of instruments rated

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Baroda	Cash Credit	Not Applicable	9.85%	Not Applicable	6.50	ACUITE BB/ Stable (Reaffirmed)
Bank of Baroda	Term Loan	01 Oct 2019	10.50%	31 Dec 2020	0.24	ACUITE BB (Withdrawn)
Bank of Baroda	Term Loan	01 Oct 2019	9.85%	30 Nov 2023	0.76	ACUITE BB/ Stable (Reaffirmed)
Bank of Baroda	Term Loan	01 Oct 2019	9.85%	29 Feb 2024	1.66	ACUITE BB/ Stable (Reaffirmed)
Bank of Baroda	WCTL	31 March 2021	7.50%	31 March 2025	1.54	ACUITE BB/ Stable (Assigned)
Not Applicable	Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.94	ACUITE BB/ Stable (Reaffirmed)
Bank of Baroda	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE A4+ (Reaffirmed)

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### About Acuité Ratings & Research:

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